

SUSTAINABILITY STATEMENT

The Group's primary focus is in construction, property, power and manufacturing sectors. In managing these business verticals, it is our mission to go beyond profits to offer secure and sustainable infrastructure, energy, business and life solutions to the community. We also endeavour to manage our Economic, Environmental and Social ("EES") impacts. However, it is a gradual process for us to first determine the various points of impact, before devising checks and controls to reduce all kinds of harm to people and the planet.

After an initial assessment undertaken by our senior management in 2017, this is our second year of embedding some of the sustainability elements into our business operations. For instance, we take a zero-tolerance approach to non-compliance and bad governance, with strategic oversight from the Board and management team. This in turn makes our business more resilient to extraneous factors, delivering positive performance and results as per the stakeholder' expectations.

For 2018, we broadly categorised our initiatives and programmes under our EES impacts. Moving forward, we will be reporting our EES impacts according to the top material topics which has been identified. In other words, at Mudajaya, we are dedicated to mitigate serious EES concerns with regards to our business by having a clear view of stakeholders' expectations and aspirations. Through our commitment for sustainability, we hope to significantly contribute to organisation's growth including welfare of the community.



IN FRAMING OUR SUSTAINABILITY BUSINESS CASE, WE COMMIT OURSELVES TO FURTHER SOLIDIFY THE FOUNDATION OF THE GROUP THROUGH OUR PROCESSES, PRODUCTS AND PERFORMANCE METRICS. WE BELIEVE THAT BY EMBEDDING SUSTAINABILITY IN OUR BUSINESS OPERATIONS, WE WILL BE ABLE TO CREATE VALUE FOR OUR STAKEHOLDERS IN THE LONG-RUN.



During the year under review, while governing the Group's operations, we took every effort in making sure that we meet the highest standards to deliver the best outcomes possible for our stakeholders. This is our commitment and our purpose as a responsible corporate citizen.

SUSTAINABILITY AT MUDAJAYA

This statement contains policies and programmes that we have organised and applied towards achieving positive outcomes for the economy, environment and society. Led by our Board of Directors, it is our endeavour to uphold the organisation's objective to build sustainable business benefitting the communitiess. The Management team also acts as a support team to the Board responsible for ensuring integration of sustainability within the Group's operations. Information and figures provided in this section covers the period of 1 January 2018 to 31 December 2018.

SUSTAINABILITY GOVERNANCE

We are developing a set of Sustainability Key Performance Indicators ("KPIs") by monitoring and reporting on both our internal and external processes. Our CEO with the support of the Board is fully in charge of identifying issues and selecting suitable measures for our CSR efforts and to implement all strategies as well as to address concerns in relation to sustainability agenda.

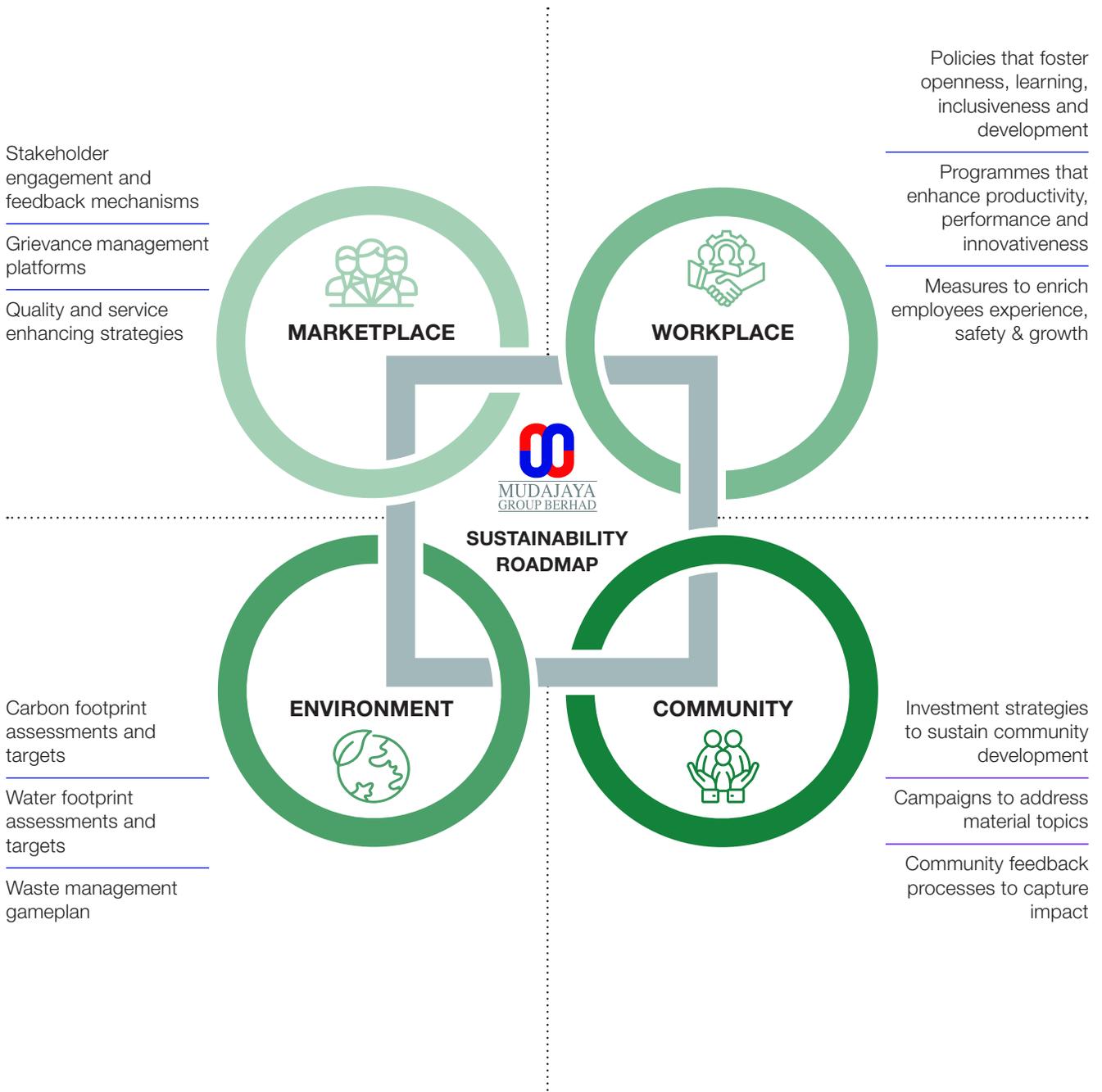
APPROACH TO SUSTAINABILITY

We are in a nascent stage of understanding sustainability principles in the context of our business and therefore, sustainability is work-in-progress. Over the next few years, we will progressively adopt sustainable practices, within the guidelines and procedures established by the management to achieve and report tangible outcomes.

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OUR THREE-YEAR SUSTAINABILITY ROADMAP

Our aspiration is to drive effective implementation of the three-year sustainability roadmap (2018 – 2020), which was launched in 2017. Our management and Sustainability Committee are working tirelessly to ensure our short-term objective of catalysing positive development is met as we continue on our long-term journey to create better value for our stakeholders. Some of the priority areas of focus as per the roadmap are highlighted below.



SUSTAINABILITY STATEMENT



ECONOMIC IMPACT (MARKETPLACE)

At Mudajaya, we strive to conduct our business at the highest level of quality in order to achieve peak performance. With the cooperation from our partners and suppliers, we continue on our mission to uphold the principles of integrity, responsibility and accountability throughout our business operations and dealings. Adherence to the policies that have been put in place is compulsory and non-negotiable under any circumstances. Given our business focus in the construction and energy sectors, which are the country's main economic drivers, we aim to contribute positively to the economic growth of the country. We not only want our partners and suppliers to benefit from doing business with us, we also want our growth to improve their socio-economic status and overall quality of life.

GOVERNANCE

Mudajaya has over the years built up the reputation as one of the leading organisation in the industry by adhering to various international standards and certifications in our operations. For example, our OHSAS 18001:2007 accreditation is testament of our strong emphasis on occupational health and safety management practices, whilst our ISO 14001:2015 certification signifies our continuous efforts to positively manage the impacts of our projects on the environment.

Moving forward, we will continue to abide by these international standards and adopt the best industry practices, as well as adhere to local and government policies to strengthen our relationships and reputation in the marketplace.



SUPPLY-CHAIN MANAGEMENT

All suppliers and contractors of Mudajaya are required to observe our 'Supplier Code of Conduct' together with all the local laws and regulations. Under our policies, all suppliers and contractors are treated equally and fairly, and free from any exploitation. In addition to mentoring our local contractors for new skills and capabilities, we also have a policy of supporting them within the set parameters of meritocracy. Most of our construction material are sourced locally thereby supporting the local economy - annual projections of approximately 50,000 tonnes of steel and 140,000 cubic metres of concrete are sourced from domestic suppliers.

Mudajaya manages its supply-chain and vendors by means of a responsible procurement and supplier assessment, which takes into account critical aspects such as quality and lead time, cost control as well as expectations of our quality-conscious customers.



WHISTLE BLOWING POLICY

At Mudajaya, we expect our employees to conduct themselves with a high standard of professionalism and ethics in the conduct of our business and professional activities.

As part of good corporate governance, we have established a whistle blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Individuals will be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal. This can be done either by means of an email or through snail mail to the Chairman of Audit Committee. The General Manager of Human Resources & Administration is tasked with the administration, interpretation and application of our Whistle Blowing policy. Any amendments to the said policy will be thoroughly examined by our Head of Internal Audit, subject to the approval by the board.

SUSTAINABILITY STATEMENT

AS AT 31 DECEMBER 2018:

We completed

7 mega projects

in **CONSTRUCTION** and **POWER SECTORS**,

with total contract sum of

RM 4.4 BILLION,

offering employment to **163 SMES**;
40 BUMIPUTRA COMPANIES and
DISADVANTAGED COMMUNITIES.

We have implemented

OHSAS Standards

and reported:

**5 MILLION
MANHOURS**

Zero Lost Time
("ZLT") Injuries
in Tanjung Bin
4 Project

**5.5
MILLION
MANHOURS**

ZLT injuries in
MRT V3 project

**1.5
MILLION
and
3 MILLION
MANHOURS**

ZLT injuries in
MRT V207 and
RAPID Worker
Village projects
respectively

On our construction sites
we provided **SAFE AND CLEAN-
LIVING QUARTERS, POTABLE
WATER, BASIC AMENITIES**

for more than

2,479 LABOURERS,

with a Grievance Management System
in place. We received **ZERO** number of
complaints, which are usually expected
to be **RESOLVED WITHIN 24-48
HOURS** to the satisfaction of the
complainants.

We plan to call for the

CIDB SHASSIC

assessment when we have completed

25%

 of the LRT3 Project.

We aim to achieve a rating of

5-STAR

SUSTAINABILITY STATEMENT



ENVIRONMENTAL IMPACT

Sustainability is often defined as meeting the needs of the present without compromising the ability of future generations to meet their needs. Today more than ever, environmental sustainability is at the forefront of public policy debate—whether as the focus of innovative scientific research or through local and global policy initiatives such as the Sustainable Development Goals (“SDGs”) and the Paris Agreement (COP22). Here at Mudajaya, we believe that all of us can improve environmental sustainability, at least incrementally and sometimes in transformative ways. Every positive action, no matter how small, can be the first step to creating a positive cycle of sustainability. Whether through creating targeted employee green teams, committing to establishing more eco-friendly supply chains, or developing best practices for reducing harmful or excessive wastes, companies that promote environmental sustainability as a corporate citizenship imperative can become leaders in the movement to create a sustainable planet, society, and economy for future generations.

It is for this reason that SKSB was established – to undertake the development of a 49MW large scale solar pv facility with a 132kV Loop-in Loop-out Switching Station in Perak. It is one of the first large scale pv solar plant in Malaysia (50MW category) to be awarded as an IPP under open bidding. The solar farm was constructed to preserve the environmental features of the site with minimum disturbance to the ground and existing vegetation. As it is projected to supply the national grid with clean energy for a period of 21 years, approximately 50,000 metric tonnes of carbon dioxide (“CO₂”) emission will be saved every year. The power plant also has the capacity to contribute up to 4% of the total solar capacity targeted in the year 2020 by the Government of Malaysia.



In January 2018, we raised a total of RM245 million from a green Sustainable and Responsible Investment (“SRI”) Sukuk Wakalah based on the Securities Commission’s SRI Sukuk Framework to partly finance the solar power plant. The sukuk has since been assigned an AA- rating with a stable outlook by the Malaysian Rating Corporation Bhd.

EMISSIONS & WASTE MANAGEMENT

We continue to report our real-time emissions data from our construction sites to the respective Department of Environment database for online monitoring in 2018. Whilst we have ensured we operated within the emission limits, Mudajaya

is actively looking at ways to reduce our emissions by apply the ‘emissions-control equipment maintenance schedule’ on projects.

Our construction wastes such as used rods, concrete debris and contaminated solid waste are all collected by appointed licensed domestic contractors and disposed appropriately either through incineration or landfill disposal.

ENVIRONMENTAL AWARENESS

Since the launch of the organisation-wide campaign on climate change and sustainability, all our employees continue to be supportive and play their part in our paperless information transmission, recycling as well as energy and water consumption.

We promote a sustainable lifestyle at all of our development projects, residential and commercial, by including rain-water harvesting features, rooftop solar panels, sensor lights and taps, and charging stations for electric vehicles to help residents and tenants reduce their carbon footprint. We also have a policy to ensure that the trees growing on the original project sites are preserved and included in the design planning of the projects.

SUSTAINABILITY STATEMENT



SOCIAL IMPACT (WORKPLACE)

At Mudajaya, we believe that our greatest assets are our employees who are instrumental in driving our business operations and building the Group’s industry reputation. We operate under our equal, fair and growth-oriented human resource policies which help us to develop a performance culture within our organisation. Our open-door policies allow our employees to express themselves freely and actively plan and pursue their career aspirations with us, and we encourage our employees to cultivate a continuous learning attitude in order to reach their goals.

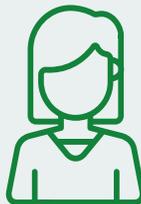
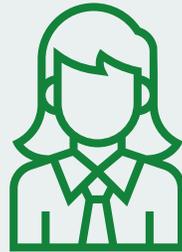
DIVERSITY

Mudajaya believes that diversity in the workplace fosters the reputation and profitability of an organisation. This is achieved when employees work in harmony with each other despite their individual differences. We want our employees to work in a diversified environment because a diverse culture can help a business gain its competitive edge. Our recruitment policies, which comply with the Malaysian Employment Act 1955 as well as the Children & Young Persons Employment Act 1966, place great emphasis on diversity in talent acquisition and development. We do not practise any form of discrimination, be it racial or ethnic origin, age, gender, sexual orientation, marital status or disability.

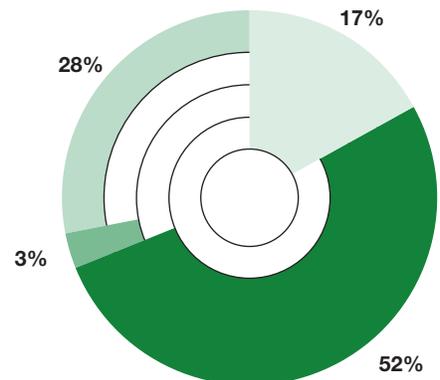
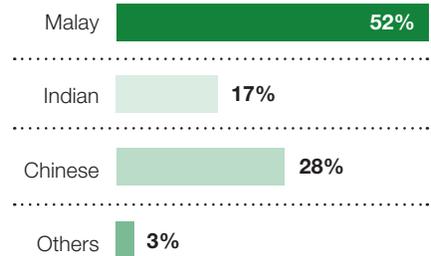
EMPLOYEES BY GENDER

In 2018

32% of our total workforce comprised of **women employees**, with nearly **21%** of them holding **MANAGERIAL POSITIONS.**



EMPLOYEES BY ETHNICITY



SUSTAINABILITY STATEMENT

EMPLOYEE TRAINING

Mudajaya believes that trainings are the cornerstone of a company's success. We promote a culture of continuous learning and development for productivity improvement by upskilling our employees. Every Head of Department in our organisation is required to keep an updated training calendar for their team members, which include courses such as self-development, supervisory or leadership skills, technical skills, soft-skills, information technology, etc. The Group aims to provide its employees with minimum 8 hours of training per year in contract and business management, safety, software and Quality Assessment System in Construction ("QLASSIC") awareness as part of their KPIs.

In the year under review, we conducted a total of 88 training programmes and clocked over 1,700 hours of training for our employees.

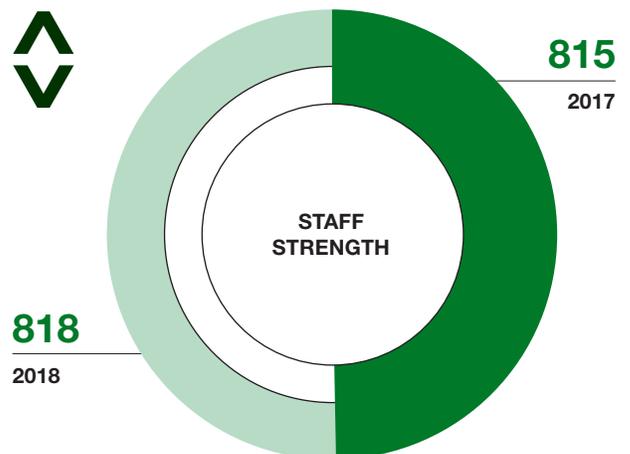
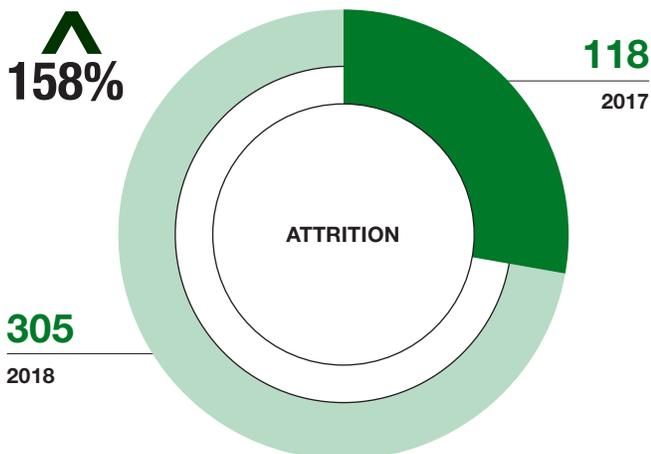


WORK-LIFE BALANCE

We encourage our employees to maintain a healthy work-life balance because we believe that when employees are balanced and happy, they are more productive, take fewer sick days, and are more likely to stay in their jobs. We try to go beyond legislative requirements with our work-life balance approach which enables our employees to maintain a healthy balance between work and other activities and interests. It is also our belief that through our employee policies, we can improve their levels of motivation by focussing on their welfare and well-being.

Since 2016, our employees who are primary care-givers of children and aged parents have benefitted from our flexible worktime arrangements. We have also introduced a two-day paternity leave in addition to the two-month maternity leave in support of more balanced parenting roles amongst our employees.

TOTAL ATTRITION AND STAFF STRENGTH
* As at 31 December



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EMPLOYEE ENGAGEMENT

At Mudajaya, we have a range of opportunities for our employees to provide feedback and have a say about things that are important to them. The aim is to encourage active dialogue that promotes team work amongst them at different levels and positions in the Company. These opportunities or platforms include townhalls, employee engagement activities, the intranet as well as department-level managerial meetings. Our internal communications team is also tasked with championing various employee-focussed activities to promote a positive work environment, healthy discussions and recognition.

The objective of these meetings is to promote open dialogue with our Managing Director as well as CEO and to discuss or raise any concerns and issues pertaining to the workplace that our employees may have.

In 2018, we organised

two townhall meetings

with active participation of

60 employees and members

OF THE MANAGEMENT.

REMUNERATION AND APPRAISAL SYSTEM

Our merit-based remuneration policy lays out the key performance indicators for our employees, and 60% is based on the balanced scorecard whilst the employee’s competencies make up the remaining 40%. We practise an industry standard fair competitive compensation system with all our permanent staff – each employee is compensated according to merits as well as their performance on a year-to-year basis. Our compensation system includes the following:

1 

FIXED COMPENSATION
such as salary and fixed allowance

2 

VARIABLE COMPENSATION

3 

BENEFITS AND PREREQUISITES

- Transportation
- Medical and insurance coverage, dental etc.

SUSTAINABILITY STATEMENT

WORKFORCE BREAKDOWN

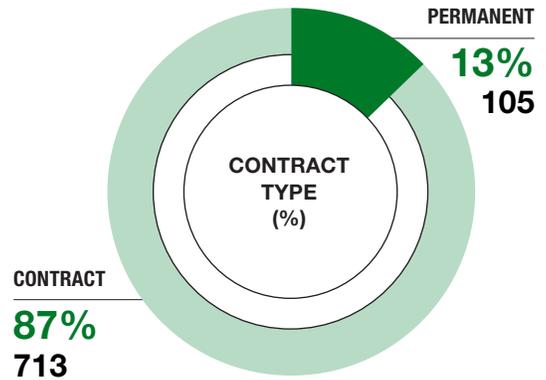
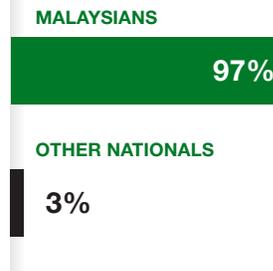
Our strong workforce comprises of individuals from a diverse ethnic and cultural backgrounds, and age groups. They are of different nationalities, with various professional qualifications, skill-sets, and interests. It is from this eclectic mix of talent that we build a dynamic and productive team to collaborate and contribute towards achieving our vision and mission.

TOTAL NUMBER OF EMPLOYEES

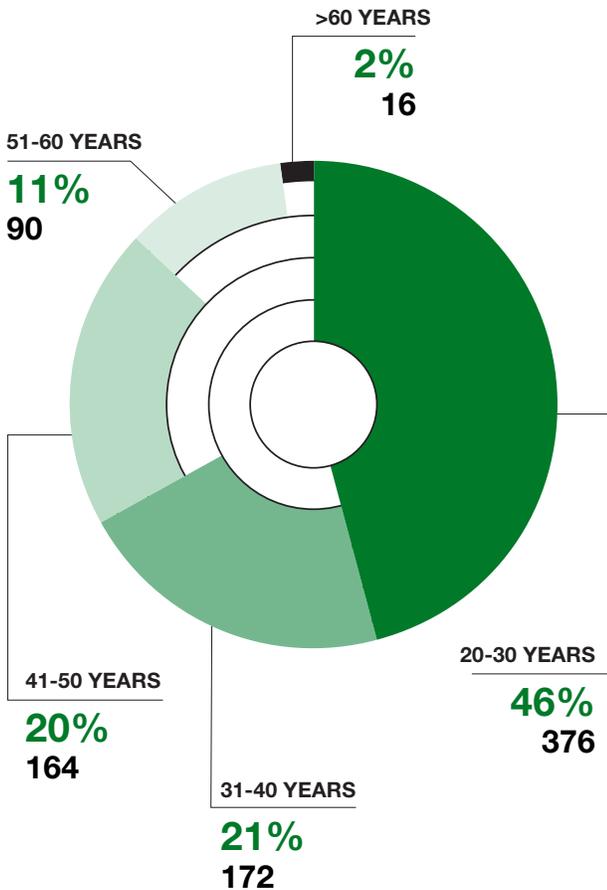


2018:
818

BREAKDOWN OF EMPLOYEES (%) IN 2018



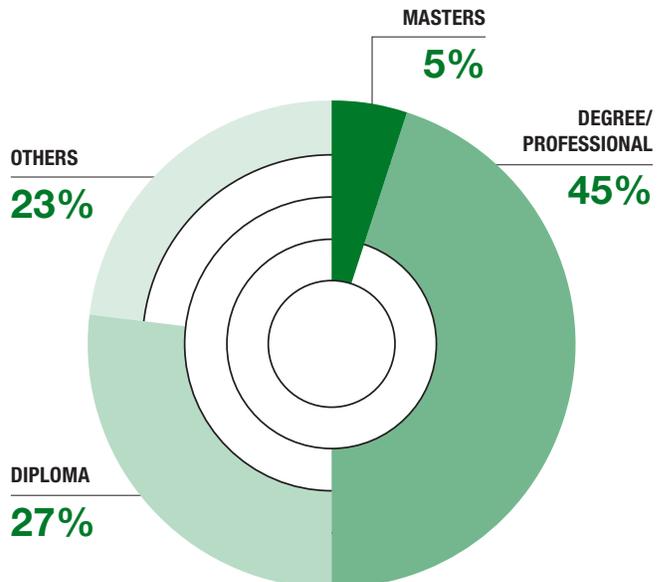
EMPLOYEES BY AGE GROUP



OUR WORKFORCE IN 2018



EMPLOYEES BY QUALIFICATION



SUSTAINABILITY STATEMENT

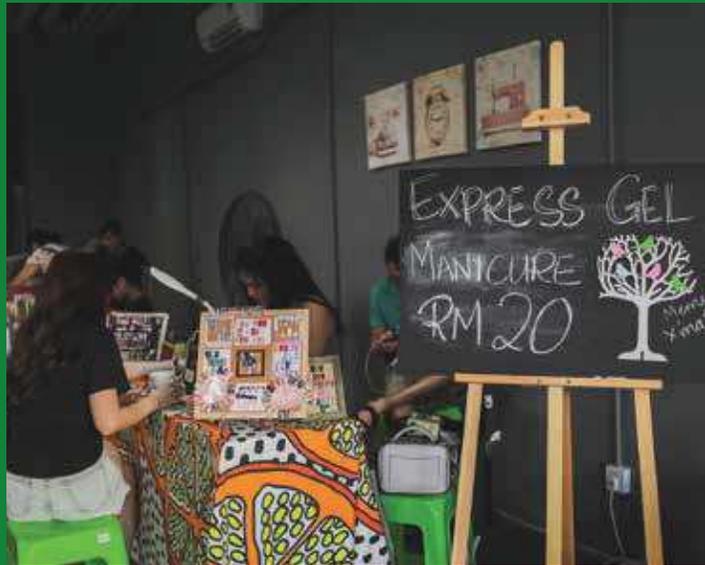


SOCIAL IMPACT (COMMUNITY)

As a corporate citizen, we try to improve our CSR by adopting a dual mindset — along with making impactful decisions, we know we also need to focus on our immediate surroundings and actively seek to be engaged in our local community. In the year under review, we have conducted various activities and events for the local communities in areas where we operate. Our employees are encouraged to participate by volunteering their time in these community activities, and the participants are rewarded with days-off and/or work-leave accordingly.

BATU KAWAH NEW TOWNSHIP

The year 2018 saw a list of events held at the Papillon Street Mall in Kuching to provide some fun family activities for the residents in the Batu Kawah New Township. There was a colouring contest for the children, and a flea market for the local small vendors to feature their products and promote their business. A Zumba event was also conducted in collaboration with one of the tenants of Papillon Street Mall, Level Up Gymnasium to raise awareness on healthy lifestyle and make exercising fun for all who participated. All events at the Papillon Street Mall were organised in conjunction with Destin De La Vie.



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SAYANGI MALAYSIA CAMPAIGN – ORGAN DONATION

To mark Malaysia's 61st Independence Day theme *Sayangi Malaysia*, Mudajaya partnered Mulpha International Berhad to organise an organ donation talk by a guest speaker from Pusat Sumber Transplan Nasional on 15 August 2018 at the lobby of Menara Mudajaya between 11 am and 2 pm. The talk, aimed at raising awareness on organ donation as well as to encourage as many people as possible to register as organ donors, was open to both employees of Mudajaya as well as non-employees from the neighbourhood.



DAR ASNAF ORPHANAGE, GOMBAK

The Dar Asnaf Orphanage in Gombak caught the attention of our CSR team due to the high number of orphans under its care and the poor condition of the home. The Orphanage received very little funding from the government and other corporations so Mudajaya employees decided to do whatever we could to give the children a proper home and shelter and a better quality of life.



SUSTAINABILITY STATEMENT

SK SG. BULOH, SELANGAU, SARAWAK

Built in 1957, the SK Sungai Buloh in Selangau is located near our contracted Sungai Kua Bridge – Sungai Arip Bridge of the Pan Borneo Highway project in Sibu, Sarawak. As the Works Package Contractor for this section of the Pan Borneo Highway, Musyati Mudajaya JV Sdn. Bhd. has adopted the school. We have taken the initiative to rebuild the school which is in extremely poor condition.



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HOME FOR LIFE

A three-day CSR event was held in September 2018 by the Malaysian Builders Association of Malaysia (“MBAM”) in Kampung Orang Asli, Sungai Lalang, Semenyih in Selangor as part of Home for Life, an annual MBAM CSR Activity 2018. This year’s activity saw members of MBAM as well as employees of Mudajaya coming together to build a home from scratch for a family in need. A basic builder workshop was held to introduce the format of the three-day operation to address the safety and site protocols. Upon completion, a short recognition ceremony took place after which the house was bestowed on the family.

